



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 511** HLS 13RS 6
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: May 27, 2013	10:36 AM	Author: THOMPSON, J
Dept./Agy.: Revenue		
Subject: Deduction for overtime wages		Analyst: Deborah Vivien

TAX/INCOME TAX

OR DECREASE GF RV See Note

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Individual income tax exemption for overtime wages earned by certain employees who are subject to the Fair Labor Standards Act

Proposed law creates an income tax deduction for those with a job subject to the Fair Labor Standards Act and an adjusted gross income of \$44,000 or less. The deduction is the amount of overtime wages the taxpayer received during the tax year up to \$500 per return, regardless of filing status. Employers are required to maintain records of overtime wages paid and retain the records for three years. Effective for all tax years beginning on and after January 1, 2014.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	\$0	DECREASE	DECREASE	DECREASE	DECREASE	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

The department will incur relatively small one-time costs related to adding this deduction to the tax processing systems.

REVENUE EXPLANATION

2011 tax data indicates that about 1.033 million filers have adjusted gross income of \$44,000 or less. The aggregate AGI of these filers is \$20.883B. Federal tax return data for Louisiana residents indicates that about 74% of AGI is salaries and wages, or \$15.453B. According to the Bureau of Labor Statistics, an estimate of the overtime wages as a percentage of regular wages is 1%, which implies some \$154.453M of total overtime wages. At the 2% and 4% marginal tax rates that would apply to affected taxpayers, state revenue losses could be some \$5.8M per year. However, the bill limits the deduction per return to \$500. This is a fairly low limitation and likely restricts the deduction for virtually any filer earning overtime wages. Since neither state or federal return data indicates the number of returns with overtime wages included in their AGI, a more specific estimate of the bill’s effect can not be generated, and this estimate would be a maximum exposure the state could expect.

Since the bill is effective beginning with tax year 2014, the first fiscal effect is expected to be in FY 15.